

# THE APPRAISAL

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**H**aving an idea of what is involved in appraising a piece of property can greatly help in maximizing the appraised value to avoid costly details and re-inspections. The appraisal process consists of several steps. Following are major steps in the sequence normally taken by appraisers:

1. Research the subject property as to size, bedrooms, baths, year built, lot size, and square footage.
2. Gather data of recent sales in the subject's neighborhood. The appraiser needs to locate at least three (and preferably more) similar-sized homes which have sold and closed escrow in the neighborhood. The homes need to be within one mile of the subject and sold within the past 6 months. These homes are considered the "Comparable Properties" or "comps".
3. Field inspection consists of two parts: first the inspection of the subject property, and second, the exterior inspection of the comparable properties which have been selected to estimate the value of the subject property.

The inspection consists of taking photos of the street scene, front of the home and rear of the home which may include portions of the yard. The appraiser will make an interior inspection for condition, noting any items that would detract from or add to the value of the home. He will also draw a floor plan of the home while doing the inspection.

The inspection of the comparable properties is limited to an exterior inspection. For features that cannot be seen from the street, the appraiser has reports from Multiple Listing Services (MLS), California Market Data Cooperative (CMDC), county public records, and appraisal files along with other sources to help determine the condition and amenities of the comparables. After the field inspection has been completed, the appraiser must go through the reconciliation process with the three comparable properties to determine a final estimated value. This method of estimating value is called the "Direct Sales Comparison Approach to Value", and it accounts for nearly all of the considerations in determining value of single family homes.

It is important to consider that the appraiser will be taking photos of the street scene and the front of the property. The street scene gives the lenders an idea as to the type of neighborhood the property is located in. The photo of the front of the property gives the lender an idea of its condition and its curb appeal. And lastly, a photo of the back of the property and part of the rear yard is taken. Many homeowners don't take care of the rear portion of their property, so for this reason the rear photo is required.

In most cases, (over 90% of the time) what you see in the condition of the exterior of a home will be repeated almost exactly in the interior.

An appraiser will call in advance to set up the appointment to inspect the home. At that time, any information about the property, (number of bedrooms, bathrooms, pool, enclosed patio, etc.) should be given. The more that is known about the property prior to inspection, the better the appraiser can focus on researching the most similar comparables.